

Message Text

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FM SECSTATE WASHDC

TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

TREASURY

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL HONG KONG

AMCONSUL NHA TRANG

USDEL JEC PARIS

INFO USSAGE

CINCPAC

COGARD

AMEMBASSY BUDAPEST BY POUCH

XMT AMEMBASSY SUVA

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COGARD FOR POLAD

E.O. 11652: NA

TAGS: PFOR, XC, US

SUBJECT: DECEMBER 12, EA PRESS SUMMARY

1. CHINA

PRESS CONTINUES EXTENSIVE COVERAGE OF PRC EXHIBIT AT NATIONAL GALLERY. WP'S HENRY MITCHELL REPORTS WEDNESDAY NIGHT'S CONGRESSIONAL PREVIEW, NOTING SOME OF CELEBRITIES WHO ATTENDED (E.G., SENS BROOKE, PERCY; REP. RHODES; AND MARGARET TRUMAN DANIEL, WHO HAD JOINED HUSBAND'S BOYCOTT UNCLASSIFIED

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OF TUESDAY DINNER.)

WP'S MARDER HOLDS THAT JUST WHO WON AND WHO LOST "GREAT FLAP" OVER CANCELED PRESS PREVIEW APPARENTLY DEPENDS

ON WHO IS KEEPING SCORE. WHILE DOS OFFICIALS DECLINED TO READ ANY DIPLOMATIC SIGNIFICANCE INTO CONTROVERSY, WHICH THEY REGRETTED, AND PRIVATELY THOUGHT CHINESE SHOULD REGRET ALSO FOR TEMPORARILY OVERSHADOWING THEIR EXHIBITION, CHINA SPECIALISTS CONCEDE THAT PRC GRINDS ISSUES EXCEEDINGLY FINE. PEKING MAY WELL CONCLUDE IT SCORED POLITICAL POINT IN THIRD WORLD, WHERE ALL DIS-AGREEMENTS WITH US, EVEN MINOR ONES, COUNT AS PLUSES.

MARDER SAYS IN DOS' OFFICIAL JUDGMENT, IT SUCCESSFULLY DEFENDED AMERICAN PRINCIPLE OF PRESS FREEDOM; BUT

SOME CRITICS CONTEND RESULT WAS THAT US KNUCKLED UNDER IN SENSE THAT PEKING WAS DETERMINING ATTENDANCE AT AMERICAN GALLERY SUPPORTED BY PUBLIC FUNDS. IN THEIR VIEW, THIS SHOWS US LEANING OVER BACKWARD TO UNNECESSARY EXTENT TO PLACATE PRC, SETTING BAD PRECEDENT. BUT DOS OFFICIALS INSIST THAT UNDER TERMS OF EXHIBIT AGREEMENT, THERE WAS IN EFFECT "DOUBLE VETO" OPERATING, WHICH EITHER SIDE COULD INVOKE; BESIDES, THEY SAY, DISAGREEMENT WAS LIMITED TO PRESSPREVIEW, AND ANYONE CAN ATTEND SUBSEQUENT EXHIBITION.

MARDER OBSERVES THAT ALTERNATIVE WAS TO THREATEN CANCELLATION OF EXHIBIT WITH ITS MAJOR DIPLOMATIC IMPLICATIONS, WHICH WAS ROUTE NOBODY WANTED TO TAKE. DOS OFFICIALS SAY PRESS PREVIEWS ARE NOT MENTIONED IN AGREEMENT FOR EXHIBIT; INSTEAD, PRESS CONTROVERSY WAS SUBJECT TO CATCHALL ARTICLE IN AGREEMENT STATING THAT ANY DIFFERENCES IN ITS TERMS SHOULD BE SETTLED THROUGH CONSULTATION BETWEEN REPS OF EACH SIDE, OR REFERRED TO TWO COUNTRIES' OFFICIAL ORGANS IF NECESSARY. PRESS DISPUTE ULTIMATELY DID REACH DOS TOP LEVELS, WHERE OFFICIALS SAID THEY WERE GUIDED BY BOTH US INTERESTS AND GALLERY'S POSITION.

MARDER CITES VIEW OF ONE AMERICAN THAT PRESS FLAP UNCLASSIFIED

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WILL LIKELY INTENSIFY US INTEREST IN SEEING EXHIBIT. NO ONE SUGGESTS CHINESE CREATED DISPUTE FOR THAT PURPOSE, BUT NO ONE COULD COMPLETELY RULE IT OUT, EITHER.

NYDN'S ANN WOOD DISCUSSES "MINI-BOYCOTT" OF DINNER PRECEDING OPENING OF CHINA EXHIBIT, "VAST MUSEUM WITHIN A MUSEUM" THAT GALLERY BUILT TO DISPLAY THE 385 PIECES, AND SUGGESTS "OFFICIALS HAVE TAKEN GREAT PAINS TO PLEASE THE CHINESE." MAINTAINS THAT PRIOR TO CANCELLATION OF PRESS PREVIEW, CHINESE HAD SUPERVISED EVERY DETAIL OF SHOW AND LAID DOWN EXACT RULES TO PROTECT THEIR ANCIENT TREASURES. NO HOT LIGHT WAS

TO BE PERMITTED CLOSER THAN 12 FEET FROM SPECIALLY CONSTRUCTED PLEXIGLAS CASES, AND, TO PROTECT CARPETING, NO CAMERA DOLLYS WERE TO BE USED. AS RESULT OF PRESS PREVIEW FLAP, THERE WERE SO MANY LOOSE ENDS THAT GALLERY DOORS WERE LOCKED WHEN VANLOAD OF CHINESE ARRIVED FEW MINUTES EARLY TUESDAY. THEY WERE ADMITTED, BUT FIRST GUESTS ARRIVING BY LIMOUSINE WERE KEPT WAITING UNTIL GUARD LOCATED SPECIAL PROJECTS CHAIRMAN WHO OKAYED UNLOCKING DOOR.

S-N'S BETTY BEALE (DEC 11) FELT TUESDAY'S SPECIAL SHOWING

OF PRC EXHIBIT WAS "SMOOTH, SUBDUED AFFAIR" COMPARED TO EXCITING UNVEILING OF MONA LISA IN WASHINGTON OR GRANDSTAND OPENING OF HIRSHHORN MUSEUM. "THERE WERE NO CROWDS LINED UP, NO WAY-OUT TYPES IN EVIDENCE." IN KEEPING WITH VENERABLE CREATIONS TO BE SHOWN, SO ANCIENT YET "SO BEAUTIFULLY EXECUTED THEY BESPOKE THE REFINEMENT OF THEIR ANCIENT CULTURE," ACCENT AT MELLON'S DINNER WAS ON SCHOLARS, COLLECTORS AND CHINA-ORIENTED PEOPLE. BEALE SAYS ONLY FLY IN OINTMENT, AT ONE OF MOST FAULTLESSLY-RUN OPENINGS YET, WAS SUDDEN, ELEVENTH-HOUR WITHDRAWAL FROM DINNER BY KAY GRAHAM, RESTON AND DANIEL TO PROTEST CANCELLATION OF PRESS PREVIEW; BUT WP AND NYT DID NOT PREVENT THEIR REPORTERS FROM COVERING TUESDAY EVENTS. OBSERVES PROF. FAIRBANK AND WIFE WERE PRESENT, AS WERE PROMINENT ART COLLECTORS.

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JOC'S STRAUSS, IN HK, REPORTS OBSERVERS THERE SEE BEHIND RECENT PEKING MOVES ATTEMPT TO BALANCE CONFLICTING FACTIONS WITHIN LEADERSHIP. FOURTH NPC IS ABOUT TO BE HELD, AND SOME CHANGES ARE THOUGHT LIKELY. AMONG NEW PHENOMENA CHINA-WATCHERS ARE DISCUSSING ARE: NEW LIST OF TOP LEADERSHIP, WITH INDICATIONS THERE WILL ALMOST CERTAINLY BE CHANGES BELOW RANK OF NUMBER SEVEN IN PARTY; RESTORATION OF TWO HIGH-RANKING MILITARY MEN; AND RECENT ALBANIAN TOUR OF LEFT EXTREMIST YAO WEN-YUAN.

NEW LEADERSHIP LIST IS MOST INTERESTING. ABOVE LEVEL OF NUMBER SEVEN IN PARTY, TWO TOP LEFTISTS (LI TEH-SHING AND CHANG CHUN-CHIAO) HAVE SOLIDIFIED POUER. BELOW THIS LEVEL, PRC LEADERS ARE LISTED IN EQUIVALENT OF ALPHABETICAL ORDER; THIS IS CONSIDERED UNUSUAL AT THIS TIME. OBSERVERS ARE UNWILLING TO CONCLUDE CHANG CHING HAS BEEN DEMOTED. THEY BELIEVE ONLY THAT NEW LIST, RELEASED OVER WEEKEND, INDICATES FUTURE CHANGES. INFORMED OPINION NOW BELIEVES NPC WILL BE HELD WITHIN NEXT TWO MONTHS. AMONG ITEMS LIKELY TO BE DISCUSSED ARE: NEW CONSTITUTION, LIKELY TO SPELL OUT

FOR FIRST TIME CHINA'S STATUS AS SOCIALIST STATE; NEW DEFENSE MINISTER; AND APPROVAL OF NEW FIVE-YEAR PLAN FOR INDUSTRY AND AGRICULTURE.

AMERICAN IMPORTERS ASSN HAS FORMED CHINA TRADE DIVISION TO ASSIST IMPORTERS IN DEVELOPING TRADE WITH PRC. AMONG CONCLUSIONS ARRIVED AT BY THREE-MEMBER AIA TRADE DELEGATION AFTER PRC TRIP ARE: CHINESE ARE "FAR MORE FLEXIBLE" IN AREAS OF PACKAGING AND LABELING THAN IN PAST; PRICES AT OCT. CANTON FAIR WERE "MORE ATTRACTIVE

THAN BEFORE"; AND NEW SPIRIT OF DETENTE IS ENCOURAGING BOTH CHINESE OFFICIALS AND US IMPORTERS TO LOOK FORWARD TO INCREASED TRADE. TO FURTHER EXPAND TRADE OPPORTUNITIES, AIA HAS INVITED PRC TRADE DELEGATION TO US, AND WILL HANDLE ARRANGEMENTS SHOULD CHINESE ACCEPT (JOC).

NYT CARRIES EXCERPTS OF PRC, ALGERIAN AND YUGOSLAV DELEGATES' STATEMENTS DURING UNGA DEBATE ON ROLE OF UN. UNCLASSIFIED

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2. JAPAN

NYT'S HALLORAN REPORTS MIKI AT PRESS CONFERENCE ("CONDUCTED LIKE GRANDFATHERLY PROFESSOR HOLDING SEMINAR") SAYING JAPAN SHOULD CUT CONSUMPTION, AND TRY TO SOLVE OIL PROBLEM BY NEGOTIATION WITH PRODUCERS, NOT CONFRONTATION. MIKI DEFENDED CONTROVERSIAL APPOINTMENTS OF STEAMSHIP MAGNATE KOMOTO TO MITI, CALLING HIM "HONEST AND FREE FROM EVIL", AND OF NONPOLITICIAN NAGAI AS MIN ED, "TO SEPARATE EDUCATION FROM POLITICS". MIKI ALSO DEFENDED PLAN TO REVISE ANTI-TRUST LAW, DESPITE BUSINESS OPPOSITION, BECAUSE "IT IS NECESSARY TO HAVE SOCIAL RESTRICTIONS TO DEFEND FREE ECONOMY". ALTHOUGH LDP IN DEEP TROUBLE WITH VOTERS OVER ECONOMIC ISSUES, MIKI SAID HE DID NOT KNOW HOW SOON INFLATION RATE COULD BE REDUCED.

SENATE VOTES TO EXTEND US FISHING RIGHTS FROM 12 TO 200 MILES OFF SHORE, BUT HOUSE FISHERIES SUBCOMMITTEE CHAIRMAN DINGELL SAYS HE WILL NOT CALL BILL UP FOR ACTION THIS YEAR. DESPITE WARNINGS MEASURE MIGHT INCREASE DANGER OF GUNBOAT WARS, MAGNUSON SUPPORTS BILL TO PROTECT SERIOUSLY DEPLETED COASTAL FISHERIES STOCKS; BUT PRES FORD CONTENTS IT COULD DAMAGE US FOREIGN RELATIONS, AND SOME US TUNA AND SHRIMP FISHERMEN FEAR RETALIATION AGAINST OWN OPERATIONS OFF FOREIGN SHORES (WP).

SATO, IN NOBEL ACCEPTANCE SPEECH IN OSLO, URGES NUCLEAR POWERS TO ACHIEVE "EPOCH-MAKING PROGRESS IN ARMS CONTROL AND DISARMAMENT", AND DEVELOP NUCLEAR RESOURCES

FOR PEACEFUL PURPOSE . NEW SOURCES OF ENERGY NEEDED TO PREVENT IMPASSE BETWEEN INDUSTRIALIZED AND DEVELOPING NATIONS (REUTER, NYT).

US COMMITTEE OF INTERNATIONAL PRESS INSTITUTE ANNOUNCES 3 WEEK STUDY TOUR OF JAPAN BEGINNING MARCH 3. JAPAN EDITORS AND PUBLISHERS ASSN TO ARRANGE MEETINGS WITH GOJ, BUSINESS, POLITICAL AND CULTURAL LEADERS (NYT).

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WSJ TOKYO REPORTS JAPANESE STEEL PRODUCTION DOWN 1.2 PCT FOR FIRST 11 MONTHS OF 1974, TO 118.5 MILLION TONS, REFLECTING LOWER DOMESTIC DEMAND IN CONSTRUCTION.

GLOBE'S STORIN IN TOKYO DESCRIBES BLEND OF SURPRISES FOREIGNERS FACE IN TOKYO, SUCH AS FINDING COL. SANDERS' FRIED CHICKEN AND BASKIN-ROBBINS 31 FLAVORS OF ICE CREAM, BUT AT SAME TIME DEALING WITH SUBTLETIES OF TRADITIONAL JAPANESE SENSE OF OBLIGATION. OVERALL, LIFE IS RUSHED BUT PLEASANT IN CROWDED TOKYO, WHERE CRIME RATE IS ONE-THIRD OF NEW YORK'S, AND DECLINING.

JOC'S CULLISON IN TOKYO REPORTS JAPAN-SOVIET AGREEMENT SIGNED IN MOSCOW TO PROVIDE 100 MIL DOLLARS IN GOJ AND PRIVATE CREDITS AND TECHNICAL ASSISTANCE TO DEVELOP CRUDE OIL AND NATURAL GAS RESOURCES OFF SAKHALIN. SOVIETS TO REPAY WITH 50 PCT OF OIL AND GAS PRODUCTION OVER FIRST TEN YEARS OF OPERATION; IF PROJECT FAILS, JAPAN TO BE PAID 50 PCT OF COSTS, AT UNDISCLOSED RATES AND TERMS.

CULLISON ALSO REPORTS LENGTHY REVIEW OF ECONOMY BY MITI POLICY BUREAU DIRECTOR HASHIMOTO, WHO SAYS RECOVERY OIL CRISIS-INDUCED RECESSION WILL BE SLOW, WITH REAL GNP GROWTH LESS THAN 5 PCT NEXT YEAR.

3. INDOCHINA

HOUSE PASSES 2.6 BILLION FOREIGN AID BILL 201-190, CUTTING AID TO CAMBODIA TO 377 MILLION, INCLUDING MAXIMUM OF 200 MILLION FOR MIL AID. ALSO REDUCED MIL AID TO SK BY 20 MILLION. BILL NOW GOES TO CONFERENCE FOR COMPROMISE WITH SENATE'S 2.7 BILLION DOL MEASURE (AP NYT, SUN). HOUSE BILL CONTAINS CUTOFF OF ARMS TO TURKEY THAT COULD DELAY AGREEMENT BETWEEN CONFEREES LONG ENOUGH TO DOOM LEGISLATION THIS YEAR. ALSO HAS NUMBER OF RESTRICTIONS THAT LIBERALS HAVE BEEN TRYING TO PASS FOR SOME TIME: CONGRESS WOULD HAVE VETO OVER TRANSFER OF FUNDS TO INDOCHINA FROM ELSEWHERE; FERTILIZER AID TO SVN WOULD

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STOP; AND AID TO-SK WOULD BE LIMITED TO 145 MILLION UNLESS PRES CERTIFIES ROKG IS MAKING PROGRESS IN HUMAN RIGHTS (WSJ).

WP'S RUSSELL SAYS PASSAGE INDICATES LAST-MINUTE COMPROMISES AND LOBBYING BY ADMIN PAID OFF. BUT PROGRAM NOT YET OUT OF DANGER SINCE HOUSE-SENATE COMPROMISE IS AHEAD, AND SUPPORT FOR FOREIGN AID

AMONG LIBERALS HAS DROPPED. REP FRASER CALLED PARK "MOST REPRESSIVE" OF US ALLIES; HIS COMPROMISE AMENDMENT ALLOWS 145 MILLION FOR SK (INCLUDING MIL CREDIT SALES) BUT COULD BE RAISED TO 165 MILLION WITH PRES' CERTIFICATION. REP SILVIO SUCCEEDED IN GETTING AID CEILINGS PLACED ON CAMBODIA. BILL WOULD GIVE INDOCHINA 573.4 MILLION, CUT OF NEARLY 40 PCT FROM ADMIN REQUEST FOR ECON RECONSTRUCTION AND HUMANITARIAN AID.

NYT'S MARKHAM IN SAIGON DESCRIBES FIGHTING IN DELTA THAT GOES ON FOR SIXTH DAY WITH LITTLE LOSS OF GROUND BUT HEAVY CASUALTIES FOR GVN. SAYS SOME SMALL OUTPOSTS LOST, THOUGH MOST IMPORTANT FIGHTING SEEMS TO BE FOR FAVORABLE TACTICAL POSITIONS. VC AND NVA MOVEMENTS APPEAR AIMED AT CUTTING ROUTE FOUR, ACCORDING TO SOME ANALYSTS, WHICH COULD BE BLOW FOR FEEBLE SVN ECONOMY WHEN MAJOR PORTION OF RICE CROP SHOULD BEGIN MOVING TO SAIGON. MARKHAM QUOTES ASIAN DIPLOMAT THAT COMMUNISTS ARE MANAGING TO SUSTAIN ATTACKS IN TRADITIONALLY PEACEFUL PROVINCES, NOTES THAT FOREIGN AND VIET ANALYSTS WATCH TO SEE IF COMMUNISTS CAN MAINTAIN FIGHTING LEVEL.

MCCOMBS (WP) IN SAIGON REPORTS OBSERVERS SEE HEAVY DELTA FIGHTING AS DEMONSTRATION OF INCREASING VC ABILITY TO INITIATE WIDESPREAD STRONG MIL ACTION AND TO TAKE AND HOLD GROUND. QUOTES ANALYSTS THAT SURGE IS HIGH-POINT IN COMMUNIST PLAN TO IMPROVE POSITION IN REGION, AND TO UNDERMINE GVN ECONOMICALLY AND POLITICALLY. POINTS OUT IMPORTANCE OF DELTA, WITH HALF OF SVN'S POPULATION, AND RICE PRODUCTION THAT

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IS NATION'S PRINCIPAL ECON BASE. NOTES THAT THIEU OPPONENTS HAVE TEMPORARILY SUSPENDED STREET DEMONSTRATIONS, AND OPINES THAT VC MAY HAVE OVERESTIMATED THEIR IMMEDIATE IMPACT. POLITICAL ANALYSTS SAY VC MAY HAVE "BOXED THEMSELVES IN" BY ANNOUNCING, WHEN

DEMONSTRATORS APPEARED TO BE MAKING PROGRESS, THAT COMMUNISTS WOULD RETURN TO NEGOTIATIONS ONLY WHEN THIEU REPLACED. MCCOMBS SEES THIEU HANGING ON "FOR QUITE A WHILE," WITH GVN GETTING FAVORABLE INTL PUBLICITY BY CALLING FOR UNCONDITIONAL REOPENING OF TALKS.

VC RADIO NOTED LIMITS ON GVN MIL ACTION BECAUSE OF CUTBACKS IN US AID, CLAIMED THAT ARVN IN DELTA HAS LOST INITIATIVE AND SPIRIT COMPARED WITH YEAR FOLLOWING C-F. MCCOMBS SAYS THAT WESTERN MIL ANALYSTS TEND TO AGREE. QUOTES SOURCES THAT FIGHTING SURGE FOLLOWED

VC ORDER TO GET AS MUCH OF RICE HARVEST AS POSSIBLE. CITES SURPRISING STATEMENT, IN INTERVIEW BY NEW DEPUTY PM FOR ECON DEVELOPMENT HAO, THAT THIS YEAR'S RICE CROP SHOULD EXCEED LAST YEAR'S AND NEXT YEAR'S SHOULD BE BETTER BECAUSE OF INTENSIVE POLITICAL AND MIL EFFORT TO DENY RICE TO VC AND BECAUSE GVN PAYS HIGHER PRICE FOR IT. COMMENTS THAT IF THIS HAPPENS, IT WILL SUPPORT MIL OBSERVERS WHO SAY COMMUNISTS NOT MAKING NEW GAINS IN DELTA BUT ONLY GETTING BACK WHAT THEY LOST AFTER C-F.

LAT'S MCARTHUR (12/11) AT SAIGON SAYS HOW BIG VC CAMPAIGN WILL GROW IS PAINFUL QUESTION FOR GVN AND US EMBASSY. NOTES THAT BATTLES SO FAR HAVE TAKEN PLACE FAR FROM IMPORTANT PLACES, IN LOCATIONS LIKE NEW DISTRICT TOWN OF HUNG LONG. IF THIS PROVES TO BE BEGINNING OF DRY SEASON OFFENSIVE, IT CAME EARLIER THAN MIL INTELLIGENCE ANTICIPATED. APPREHENSIONS HAVE BEEN RAISED BY RECENTLY INTERCEPTED INTELLIGENCE THAT VC AMBITIONS MAY BE GREATER THAN APPRECIATED; RECENT COSVN ORDERS INDICATE NEW TIMETABLE FOR VC AND NVA TROOPS, WITH INITIAL PRESSURE ON OUTPOSTS, ROADS, REFUGEE CENTERS AND PACIFICATION PROJECTS. UNCLASSIFIED

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IF SUCCESSFUL, NEXT PHASE WOULD DEPEND ON POLITICAL AND ECON SITUATION. SEES CURRENT FIGHTING AS "HIGHPOINT" AND HANOI'S BIG DECISION ON WHAT WILL COME NEXT BELIEVED BY AMERICANS AND VIETS TO BE DUE NEXT YEAR, PERHAPS IN FEB. MEANWHILE GVN WILL USE AMMO AND FUEL WHICH EATS UP US MIL AID. MCARTHUR SAYS THIS IS PRINCIPLE REASON ATTACKS CAUSE SUCH ANGUISH AT EMBASSY, AND AMB MARTIN HAS BEEN PRESSING FOR WEEKS FOR MORE MIL AID SO FAR WITHOUT RESPONSE FROM DOS OR ADMIN.

SUN'S MOSCOW BUREAU REPORTS THAT USSR IN AID TALKS TOLD NVN AND PRG IT THINKS THEY SHOULD CONCENTRATE ON ECON RECONSTRUCTION RATHER THAN NEW MIL OFFENSIVE.

WITHOUT CITING SOURCE, ARTICLE SAYS SOVIETS ALSO AGREED TO PRESS USG TO PUSH GVN HARDER ON POLITICAL SETTLEMENT QUESTION. USSR WILL SOON SEND TOP GENERAL TO HANOI TO ASSESS MIL SITUATION AND NVN ARMS NEEDS. ARTICLE SAYS RECENT PRAVDA COMMENTARY MADE MOSCOW'S JUDGMENT PLAIN, DID NOT CONTAIN EVEN PRO FORMA CALL FOR STRICT OBSERVANCE OF C-F, BUT STATED THAT FOCUS OF NVN EFFORTS SHOULD BE "BUILDING OF A SOCIETY OF DEVELOPED SOCIALISM."

WP'S FENTON WRITES FROM SMALL KHMER VILLAGE NEAR VIET BORDER THAT IS SMUGGLERS' MARKET. BY DAY SOUTH

VIETS SELL SMUGGLED GOODS AND VIETS, THAI AND CHINESE PATRONIZE ITS CASINOS. AT FOUR PM, VISITORS STRONGLY ADVISED TO LEAVE; KHMER REBELS, VC AND NORTH VIETS ARRIVE LATER FOR SUPPLIES. FENTON SAYS CROSSING BORDER FROM SVN IS SIMPLE MATTER, AND CONSTANT STREAM OF SMUGGLERS WITH GOODS-LADEN BICYCLES PASSES IN BOTH DIRECTIONS. IN VILLAGE EVERYBODY GAMBLES, AND BIG SOURCE OF WEALTH IS "GREAT PILES OF MERCHANDISE" FROM SINGAPORE, THAILAND, CHINA AND ELSEWHERE. VILLAGERS ARE MOSTLY KHMER REFUGEES FROM KAMPOT AREA; THEY SAY THAT TRADING POST WAS SET UP WITH COOPERATION OF KHMER NAVY, WHICH LEVIES TAX ON CONTRABAND INTERCEPTED. VILLAGE ALSO OFFERS REFUGE FROM DRAFT FOR YOUNG MEN. IT IS IN COMMUNIST AREA UNCLASSIFIED

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NEAR KEP, AND ACTIVITIES APPEAR TO BE TOLERATED BECAUSE IT IS IMPORTANT SOURCE OF SUPPLIES.

4. PACIFIC TRUST TERRITORIES

WP'S WILSON WRITES THAT SENATE INTERIOR COMMITTEE PROBES GATHERED EVIDENCE AT HICOM HQ, SAIPAN, OF WHAT SEN JACKSON CALLS "PATTERN OF AMERICAN MIS-MANAGEMENT" OF TTPI. IN ONE CASE, CALLED "REPRESENTATIVE," A GUAM CONTRACTOR WAS AWARDED 4.2 MIL DOL CONTRACT TO BUILD HOSPITAL ON PONAPE, DESPITE FAILURE TO COMPLETE EARLIER CONTRACTS. SEC MORTON AGREES THAT ADMINISTRATIVE REFORM IS NEEDED, AND SAYS HE TRIED TO REPLACE HICOM JOHNSTON TWO YEARS AGO, BUT WAS BALKED BY SEN FONG'S INTERCESSION WITH PRES NIXON TO KEEP HIM ON JOB. SEN JOHNSON WILL CHAIR INTERIOR SUBCOMMITTEE HEARING ON ADMINISTRATION REQUEST FOR 75 MILLION APPROPRIATION FOR MICRONESIA, UP FROM 60 MILLION ANNUALLY SINCE 1971; AND WILL PURSUE QUESTIONS RAISED BY INVESTIGATION.

UPI (MOSCOW) REPORTS USSR ANNOUNCEMENT OF FOURTH MISSILE TEST SERIES OVER PACIFIC RANGE THIS YEAR, DEC 12-30; PAST TESTS IN THIS AREA AIMED AT DEVELOPING

MIRV (NYDN, PHINQ).

5. PHILIPPINES

IN WEDNESDAY NATIONWIDE TV ADDRESS, MARCOS ANNOUNCED RELEASE OF 622 MARTIAL-LAW PRISONERS, BUT REJECTED AMNESTY FOR PEOPLE LINKED TO ALLEGED RIGHTIST PLOT TO ASSASSINATE HIM, INCLUDING PROMINENT OPPOSITION FIGURES. AMONG THOSE DENIED AMNESTY WERE LOPEZ AND OSMENA AND SON. MARCOS SAID 5,234 PRISONERS STILL HELD UNDER MARTIAL LAW; 4,069 CONSIDERED "COMMON CRIMINALS" AND OTHERS ARE POLITICAL PRISONERS ACCUSED OF SUBVERSION

AND REBELLION (AP, WP; UPI, BALTO N-A DEC 11; PHINQ; NYT).

FOUR HOURS AFTER MARCOS' SPEECH, ARCHBISHOP SIN RELEASED LETTER TO PRESIDENT PRAISING FREEING OF POLITICAL UNCLASSIFIED

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PRISONERS AS "ACT OF AN AUTHENTIC CHRISTIAN," AND PLEDGING THAT CHURCH-STATE COLLABORATION WILL CONTINUE IN SEARCH FOR PEACE AND JUSTICE SO LONG AS SEARCH IS SINCERE AND UNRELENTING (AP NYT, WP).

6. BURMA

AP RANGOON REPORTS THAT IN BANGKOK TRAVELERS FROM BURMA QUOTE STUDENTS THAT THEY SEIZED U THANT'S COFFIN AS PROTEST AGAINST NE WIN DICTATORSHIP (S-N 12/11). GUB DECLARES MARTIAL LAW (REUTER, NYT). RADIO MONITORS IN THAILAND SAY GUB DECLARED STATE OF EMERGENCY AND MARTIAL LAW IN RESPONSE TO VIOLENCE THAT ERUPTED AFTER TROOPS RECOVERED THANT'S BODY, THAT POLICE OPENED FIRE ON MOBS THAT WERE LOOTING AND DESTROYING PROPERTY AND ATTACKED POLICE STATION. CURFEW IMPOSED AND MIL COURTS SET UP. REGULAR COMMUNICATION WITH BURMA VIRTUALLY CUT OFF. DOS SPOKESMAN SAYS REPORTS INDICATE THAT MOBS CONTINUE TO ROAM RANGOON (PHINQ). GUB IMPOSES DAWN-TO-DUSK CURFEW FOLLOWING WIDESPREAD LOOTING AND DESTRUCTION BY WHAT IT CALLED "LAWLESS ELEMENTS." OFFICIAL RADIO SAID POLICE STATIONS ATTACKED, MINISTRY OF COOPERATIVES AND TWO DOWNTOWN MOVIE THEATERS DESTROYED, AND TRAIN AND SEVERAL VEHICLES WRECKED. OTHER REPORTS INDICATE THAT 25 TRUCKLOADS OF STUDENTS AND MONKS ARRESTED. THANT'S BODY REINTERRED IN TOMB NEAR SHWEDAGON PAGODA IN CENTRAL RANGOON (WP).

NYT'S SHIPLER IN RANGOON DESCRIBES RIOTS AND MIL AND POLICE ACTION TO SUPPRESS THEM. SEES CURRENT PROTEST AS RESULT OF RESENTMENT OF "AUTOCRATIC" NE WIN REGIME. REVIEWS BURMA'S RECENT HISTORY,

AND REMOVAL OF THANT BODY FROM STUDENT TOMB. SAYS
"CARNIVAL ATMOSPHERE" PERVADED CITY AS THOUSANDS
OF ONLOOKERS CHEERED RIOTERS WHO CLASHED WITH POLICE,
BUT TENSION MOUNTED AS DAY WORE ON; HEAVILY ARMED
TROOPS STOOD GUARD AND CURFEW ORDER IGNORED BY MANY.

7. THAILAND

UPI BANGKOK (NYDN) SAYS 5,000 GUARDS AT US MIL BASES
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REFUSE TO WORK, IN PROTEST AGAINST DISMISSAL OF

300 GUARDS FOLLOWING US TROOP CUT. DEMAND SEVERANCE
PAY, MORE FRINGES, AND SENIORITY SYSTEM FOR DISMISSALS.

8. SINGAPORE

SINGAPORE EXPELS SIX FOREIGN STUDENTS FOR MEDDLING IN
DOMESTIC POLITICS (AP, NYDN).

9. MALAYSIA

SWISS POLICE SEIZE NINE POUNDS OF HEROIN HIDDEN IN
LUGGAGE OF THREE MALAYSIANS ARRESTED AT GENEVA AIRPORT
(REUTER, WP).

10. HONG KONG

JOC SPECIAL (HK) SAYS HK EXCHANGE BANK ASSN REDUCED
DEPOSIT INTEREST RATE AND LENDING RATE IN FOURTH CUT
IN SIX WEEKS. REASON IS CONTINUED SELLING OF US
DOLLARS WHICH FORCED COLONY TO FLOAT HK DOL LAST MONTH.

11. NARCOTICS

SCRIPP-HOWARD'S KIRKMAN (S-N DEC 10) CITES DEA'S BARTELS
THAT INCREASED SHIPMENTS OF ILLICIT HEROIN FROM TURKEY,
MEXICO AND FAR EAST HAVE BROKEN EAST COAST'S TWO-YEAR-
LONG HEROIN "FAMINE." BY NEXT SUMMER, US MAY BE ON
THRESHOLD OF ANOTHER HEROIN EPIDEMIC. BARTELS AND
OTHERS FROM DEA SAY SURGE STEMS FROM REORGANIZATION OF
NUMBER OF OLD SMUGGLING RINGS AND ESTABLISHMENT OF
NEW ONES, AND BOTH HAVE FOUND NEW ROUTES AND METHODS
TO SHIP HEROIN INTO US. TURKISH AND ME SMUGGLERS
SELLING OFF THEIR EXISTING CACHES OF HEROIN IN
EXPECTATION OF ANOTHER "GOOD" OPIUM POPPY CROP
NEXT SUMMER. THIS, PLUS INCREASED QUANTITIES
FROM GOLDEN TRIANGLE, AND AMOUNTS FROM MEXICO, HAVE
TROUBLED DEA DURING LAST FOUR MONTHS. SEA HEROIN
IS GOING BY SHIP OR PLANE TO WE, PRINCIPALLY
NETHERLANDS, FOR TRANSHIPMENT TO US.

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COMMENT AND ANALYSIS

12. CHINA

EDITS UNANIMOUSLY CRITICIZE PRC'S INSISTENCE THAT JOURNALISTS FROM S AFRICA, TAIWAN, SK AND ISRAEL NOT BE ADMITTED TO PRESS PREVIEW OF CHINESE EXHIBIT AT NATIONAL GALLERY (NGA). NYT SAYS PRC HAS LONG PLACED UNACCEPTABLE POLITICAL INTERPRETATION ON

ACCREDITATION OF NEWS MEDIA, RECALLING THAT CHINESE MANAGED TO HAVE UN ACCREDITATION WITHDRAWN FROM TAIWAN'S CENTRAL NEWS AGENCY REPS AND ARE IN RUNNING FEUD WITH PARLIAMENTARY PRESS GALLERY OF CANADA, PREVENTING PRC REPORTERS FROM JOINING SO LONG AS TAIWAN NEWSMAN IS ALSO MEMBER. CHINA'S BEHAVIOR AT NGA WENT FAR BEYOND CONFINES OF TAIWAN DISPUTE, BECOMING ATTEMPT TO USE ACCREDITATION AS IDEOLOGICAL WEAPONS AGAINST ANY COUNTRY UPON WHICH CHINESE POLICY-MAKERS LOOK WITH DISFAVOR. UNLESS PEKING WISHES TO TRY ASSERTING SOME KIND OF EXTRATERRITORIAL CLAIM IN THE GALLERY DURING EXHIBITION, CHINESE WOULD DO WELL TO REMEMBER THAT CIVILIZED VISITORS TRADITIONALLY BEHAVE ACCORDING TO THEIR HOSTS' CONVENTIONS.

NYDN RHETORICALLY ASKS, "WHY JUST CANCEL THE PRESS EVENT?" ADDS THAT US OFFICIALS "SHOULD HAVE TOLD PEKING'S MINIONS TO PACK UP THEIR BAUBLES, TAKE THEM HOME, AND KEEP THEM THERE UNTIL THEY LEARNED THAT IN OUR HOUSE WE PLAY BY THE CONSTITUTION, NOT MAO'S QUOTATIONS."

S-N (DEC 11) NOTES THAT DOS "ADMIRABLY" SUPPORTED NGA IN CALLING OFF PRESS PREVIEW. EXHIBITS FASHIONED IN DAYS OF ANCIENT EMPERORS AND UNEARTHED BY THEIR COMMUNIST HEIRS HAVE NOTHING TO DO WITH 20TH CENTURY POLITICS, BUT IF CHINESE THINK SO, SO BE IT; THEY ARE THEIRS AFTER ALL. WHEN WE SEND OUR ART TREASURES OVERSEAS, WE LIKE TO THINK IT'S DONE IN SPIRIT OF SHARING WHAT WE HAVE DONE WITH ANYONE WHO WANTS TO SEE, EVEN THOSE

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WE CONSIDER SCOUNDRELS; WHO KNOWS, A LITTLE CULTURE MIGHT DO THEM GOOD.

CSM SAYS COMMUNIST AUTHORITIES RECOGNIZE POWER OF ART WHEN THEY TAKE TROUBLE TO INTERFERE WITH IT. ASKS, WHEN WILL THEY HAVE ENOUGH TRUST IN THEIR

POLITICAL SYSTEM TO LET ARTS FLOURISH UNENCUMBERED?
AND ENOUGH GOOD SENSE TO ANTICIPATE THAT FREE WORLD
WILL NOT LIGHTLY SUFFER POLITICAL INROADS ON FREEDOM
OF EXPRESSION? CSM SUPPORTS NGA IN HAVING RESISTED
CHINESE EFFORTS TO BAR CERTAIN REPS FROM PRESS PREVIEW,
VIEWING PROHIBITIONS SOUGHT BY PRC AS POLITICAL IN
CONTEXT OF PEKING'S ATTEMPTS TO SEPARATE US
DIPLOMATICALLY FROM TAIWAN AND TO CURRY FAVOR IN
THIRD WORLD. SAYS TO ACCEPT THEM WOULD HAVE BEEN
UNTHINKABLE BY NATIONAL GALLERY OF COUNTRY CHERISHING
PRESS FREEDOM. CONFINES ON ART WILL CONTINUE UNLESS
PEOPLE WHO ARE FREE KEEP ON SHOWING THAT THEY CONSIDER
IT AS IMPORTANT AS DO THOSE WHO WOULD REPRESS IT.

TO S-N'S BENJAMIN FORGEY (DEC 11), CHINESE EXHIBITION
IS "THAT RARE OCCURRENCE -- A SIGNIFICANT SPECTACLE,
A SHOW OF TREMENDOUS IMPORTANCE TO SCHOLARS AND ONE
OF ENORMOUS APPEAL TO ALL" IT ALSO IS, "LIKE
MOST OFFICIAL CULTURAL EXCHANGES, A POLITICAL EVENT,"
AS PRC "REMINDS US SO UNHAPPILY." NOTES "UNDERSTATED"
POLITICAL CONTENT OF EXHIBITION; FOR INSTANCE, OMISSION
OF PAINTING -- VIEWED BY MANY AS CORE OF CHINESE ART --
PRESUMABLY BECAUSE PAINTINGS WERE PRODUCED BY AND FOR
AN ELITE, WHEREAS MOST OF EXHIBIT'S OBJECTS ARE
TRIBUTES TO SKILL, INSPIRATION AND TRADITION OF
HUNDREDS OF NAMELESS ARTISANS. FORGEY FINDS EVEN
"VAGUELY POLITICAL TINGE TO ONE'S PREDOMINANT IMPRESSION
OF THE SHOW -- A RESPECT BORDERING ON AWE FOR THE
CONTINUITY OF CHINESE CIVILIZATION." EXHIBIT OBVIOUSLY
WAS INTENDED TO IMPRESS US "BARBARIANS" WITH PRIMARY
FACT OF LONGEVITY OF THIS ANCIENT AND HIGHLY SOPHISTICATED
CIVILIZATION, AND WITH SERIOUSNESS OF RESPECT PRC STILL
AWARDS ITS CULTURAL HISTORY. ON BOTH COUNTS, EXHIBIT
IS EMINENTLY SUCCESSFUL.

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EXHIBIT STILL FOREVER FEARS THAT CHINESE ARCHAEOLOGY
WAS MADE SHAMBLES DURING GPCR; ON CONTRARY, ARCHAEOLOGICAL
EXCAVATION AND RESEARCH SEEM TO HAVE INTENSIFIED DURING
EPISODE OF RED GUARDS, AND SOME OF MORE ASTONISHING
FINDS WERE MADE DURING THAT PERIOD. WHAT EXHIBIT DOES
BEST IS TO EDUCATE EYES AND ELEVATE SOUL, FOR AMONG
ITS OBJECTS ARE THINGS OF TRULY STARTLING BEAUTY.
GALLERY'S INSTALLATION "IS ALMOST SHAMELESSLY EXPANSIVE
AND EXTRAVAGANT," BUT WINNINGLY INTELLIGENT AND SENSITIVE.
FORGEY SAYS ONE ENDS BY FORGETTING POLITICS OF EVENT TO
FOCUS ON TIMELESS QUALITIES OF OBJECTS THEMSELVES.

WP'S PAUL RICHARD DESCRIBES CHINESE SHOW AS "SPECTACULAR
EXHIBITION, SPECTACULARLY INSTALLED"; WASHINGTON
"HAS NEVER SEEN OLDER OR MORE AWESOME OBJECTS MORE

BEAUTIFULLY DISPLAYED." AND DESPITE CLASH OF IDEOLOGIES ATTENDING ITS DEBUT, EXHIBITION 'SEEMS WHOLLY FREE OF PROPAGANDA -- AT LEAST OF CHINESE PROPAGANDA.' "THERE IS NOTHING PROLETARIAN OR REVOLUTIONARY ABOUT IT"; INSTEAD, SHOW "IS SOAKED IN DOLLARS, CAPITALISTIC DOLLARS... 'ARCHEOLOGICAL FINDS' IS NOT CLASSLESS; IT IS CLASSY. 'PAUL MELLON PRESENTS CHINA' SEEMS A FITTING TITLE FOR THIS EXTRAORDINARY SHOW."

FIRST THING ONE NOTICES IS "RESTRAINED YET SUMPTUOUS ELEGANCE" THAT PERVADES EXHIBITION; CARPETING IS THICK, LIGHTING IDEAL, COLOR SCHEME SUBTLE, DETAILING

FLAWLESS. GALLERY WORKERS SPENT MONTHS ON INSTALLATION, AND THEIR EFFORTS SHOW; YET THEIR CURVING SHEETROCK WALLS, COMPLEX FLOWING SPACES, VELVETS, SILKS, LINENS AND SCORES OF HANDMADE CASES SEEM OF SMALL SIGNIFICANCE BESIDE VASTLY MORE IMPRESSIVE ARTIFACTS DISPLAYED. QUOTES ONE GALLERY WORKER THAT THESE ARE "MOST BEAUTIFUL OBJECTS WE'VE EVER HAD TO WORK WITH." IT IS CHINA'S HUMBLING ANTIQUITY, CONTINUUM OF HER CULTURE AND DEEPLY MOVING SENSE OF HISTORY COMPRESSED THAT DOMINATES THIS SHOW. ALMOST EVERYTHING ON VIEW IS BEAUTIFUL, AND EVERYTHING IS OLD. IT IS WORKS PRESENTED, RATHER THAN THEIR PRESENTATIONS, THAT HOLD VIEWER'S EYE, AND AS ONE PROGRESSES THROUGH SHOW, ONE CAN UNCLASSIFIED

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ALMOST FEEL AGES PASS AND CHINESE CULTURE BLOSSOM.

RICHARD CONCLUDES THAT FORGOTTEN ARTISANS WHO MADE ITEMS AND PRC AUTHORITIES WHO SENT THEM TO US, "HAVE DONE US ALL A FAVOR," AND EXHIBITION WARRANTS MANY VISITS.

13. JAPAN

NYT'S BUTTERFIELD IN OSAKA (12/11) REVIEWS DRIVE FOR POLITICAL AND ECONOMIC POWER BY MILITANT BURAKUMIN LIBERATION LEAGUE, FORMED BY JAPAN'S TWO MILLION "OUTCASTS." FOUR CENTURIES OF LEGAL DISCRIMINATION ENDED IN 1871, BUT, LIKE AMERICAN BLACKS, THEY STILL COMPLAIN OF DISCRIMINATION IN JOBS, SCHOOL, AND MARRIAGE.

LEAGUE HAS PRESSURED LOCAL GOVTS TO BUILD SCHOOLS, PUBLIC HOUSING, CENTERS FOR MOTHERS AND ELDERLY, AND EVEN LIBERATION HALL IN OSAKA GHETTO. MEMBERS RECENTLY BEAT UP 52 TEACHERS IN KOBE, IN DISPUTE ON HOW TO TEACH DISCRIMINATION; ONE LEADER SAYS SUCH "IMPEACHMENT" IS AN EDUCATIONAL PROCESS, LIKE "PEOPLE'S COURT IN CHINA", WHERE MANY YOUNG

LEAGUE MEMBERS NOW BEING INVITED FOR TOUR AND
POLITICAL LECTURES.

JCP, WHICH FORMERLY SUPPORTED LEAGUE, CHARGES IT
WITH "REVERSE DISCRIMINATION" FOR DEMAND TO CONTROL
GOVT SPENDING IN GHETTO, AND DISPUTE SPLITS LEFTIST
OPPOSITION PARTIES; IMPLICATIONS FOR OPPOSITION
UNITY IN GUBERNATORIAL ELECTIONS IN OSAKA AND TOKYO
ARE SERIOUS. BUT EXCEPT FOR JCP ORGAN AKAHATA,
JAPANESE PRESS IGNORES THESE DEVELOPMENTS; BUTTERFIELD
COMMENTS OUTCASTS MAY STILL BE JAPAN'S "INVISIBLE
RACE" .

14. KOREA

S-N'S DOWLING (DEC 11) ASSERTS HE IS ON MAILING LIST
OF DPRK'S PERMANENT OBSERVER TO THE UN. DOES TONGUE-
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IN-CHEEK PIECE ABOUT "CASE OF UNDERGROUND TUNNEL,"
SUBJECT OF NK PRESS RELEASE MAILED FROM NY ON NOV 22
(BUT NOT DELIVERED UNTIL DEC 9). RELEASE SEEMS TO
ARGUE THAT S KOREANS ALLEGE THAT THE "UNDERGROUND
TUNNEL" IS PART OF SOME "SOUTHERN INVASION" ROUTE,
BUT ACTUALLY IT IS THE S KOREANS WHO INTEND TO INVADE
THEM - BUT NOT BY TUNNEL. DOWLING CONSIDERS IT ODD
THAT THE RELEASE NEGLECTED TO MENTION WHETHER TUNNEL
EXISTS. IF PRESS RELEASE CAME EARLIER, HE WOULD
HAVE RECOMMENDED THAT PRES VERIFY TUNNEL'S EXISTENCE
WHILE IN KOREA. CONCLUDES THAT US MAILED "HAVE
DENIED JERRY FORD A CHANCE FOR THE KIND OF STATESMANLIKE
PROBLEM-SOLVING FOR WHICH HIS EXPERIENCE AND BRAWN
SO ADMIRABLY SUIT HIM."

15. INDONESIA

LAT'S ELEGANT (DEC 11) IN BALI WRITES INTROSPECTIVE
PIECE ABOUT PROGRESS IN ASIA; WONDERS WHERE PROGRESS
IS TAKING THE CONTINENT.

FROM JOGJAKARTA, CSM'S SOUTHERLAND WRITES ABOUT W.S.
RENDRA, CONSIDERED BY MANY TO BE INDONESIA'S GREATEST
PRACTICING POET, AND WHO IN FACE OF GOI-CREATED
DIFFICULTIES, DIRECTS PLAYS REFLECTING UNFAVORABLY
ON REGIME.

16. GENERAL

JOC'S NAMBEIL IN LA CITES FIRST NATIONAL BANK OF CHICAGO
PRES SCHMIDT AS TELLING TOWN HALL OF CALIFORNIA
THAT LOCAL PARTNERS, INCLUDING AT TIMES GOVT AND QUASI-
GOVT ORGS, FIGURE TO PLAY AN INCREASINGLY BIGGER ROLE

IN FUTURE JOINT VENTURES IN ASIA. SCHMIDT SAYS NEW QUID PRO QUO IS BEING ESTABLISHED WHEREBY FOREIGN INVESTORS SUPPLY CAPITAL AND EXPERTISE, WHILE LOCAL PARTNERS PROVIDE RESOURCES FOR DEVELOPMENT. HE URGED MULTINATIONAL CORPS BE "WISE ENOUGH TO RECOGNIZE THE INEVITABILITY OF SUCH AN EVOLUTION" AND TO INVEST NOW WHEN THEY "ARE LIKELY TO RECEIVE MORE FAVORABLE TREATMENT THAN IF THEY WAIT FOR ENFORCED CHANGE."
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SCHMIDT ALSO EVALUATED STRENGTHS AND WEAKNESSES OF THE ECONOMIES OF COUNTRIES HE VISITED: SINGAPORE, SK, JAPAN, HK, THAILAND AND MALAYSIA.

SCHMIDT NOTED THAT IN RELATIVELY SHORT SPAN, ADB ESTABLISHED ITSELF AS NEEDED INSTITUTION, BUT HAS TO BROADEN WHAT HE TERMED ITS "INSULAR" ATTITUDE TOWARD CAPITAL MARKETS AND MEMBERSHIP. "THE AREA'S PRESENT AND POTENTIAL OIL EXPORTERS SHOULD TAKE STEPS TO DEVELOP THE BANK INTO A MORE DYNAMIC AND PROFITABLE INVESTMENT CONDUIT - DIRECTLY LEADING TO AN EFFICIENT REGIONAL RECYCLING." INGERSOLL

NOTE BY OC/T: POUCHED BUDAPEST.

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